

EXHIBIT 36

In the Matter Of:

CORTZO V. BROWN UNIVERSITY

1:22-cv-00125

GEORGE BULMAN

November 04, 2024

Conf.



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1 review them. Exhibit 1 is your opening
2 report. Does that look familiar?

3 A. Yes.

4 Q. Exhibit 1 looks to be your
5 opening report?

6 A. Yes.

7 Q. And Exhibit 2 is your rebuttal
8 report. Is that right?

9 A. Yes.

10 Q. To your understanding, why were
11 you retained by the plaintiff's counsel?

12 A. I have research in the area of
13 college and university endowments and
14 specifically looking at how endowments --
15 methods for looking at how endowments can
16 lead to changes in expenditures and aid.

17 Q. You're currently a professor at
18 the University of California at Santa Cruz.
19 Is that right?

20 A. I am an associate professor at
21 the University of California at Santa Cruz.

22 Q. And how long have you been at --
23 is it okay if I call it UC Santa Cruz? How
24 long have you been at UC Santa Cruz?

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1 MR. NORMAND: Objection to form.

2 THE WITNESS: You're asking if
3 I'm only using my own research?

4 BY MR. RYBNICEK:

5 Q. No. I'm asking if you're using
6 your research and other expertise in these
7 topics to prepare your report?

8 A. I am using my expertise in this
9 area and my research experience to prepare my
10 report.

11 Q. All right. And then back on
12 Page 46, where you list your research papers
13 and book chapters, you have an NBER working
14 paper entitled The Effect of College and
15 University Endowments on Financial Aid
16 Admissions and Student Composition.

17 Do you see that?

18 A. I do see that.

19 Q. Do you have any other papers
20 studying university or college endowments?

21 A. I do not.

22 Q. So you haven't written any other
23 research papers or book chapters on
24 university college endowments?

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1 A. No.

2 Q. Do you have experience managing
3 college or universities' endowment, Professor
4 Bulman?

5 A. No.

6 Q. That's not one of the activities
7 of the committee on admissions and financial
8 aid?

9 A. The University of California at
10 Santa Cruz doesn't have much of an endowment
11 and being an administrator of an endowment is
12 not one of the roles of that senate faculty
13 committee.

14 Q. Have you ever helped make
15 decisions about spending from an endowment?

16 A. No.

17 Q. You haven't made any
18 recommendations related to endowment spending
19 as part of your work on the committee on
20 admissions and financial aid?

21 A. As I mentioned, it doesn't have
22 much of an endowment so no, we have not made
23 any recommendations with respect to spending
24 it.

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1 Q. Yes. Did you review any
2 deposition transcripts in this litigation in
3 preparing either of your reports?

4 A. No, I did not.

5 Q. And are you aware that some of
6 defendants' employees were asked about their
7 school's endowment during those depositions?

8 MR. NORMAND: Objection to form.

9 THE WITNESS: Am I aware that --
10 could you repeat the question?

11 BY MR. RYBNICEK:

12 Q. Do you know whether any of
13 defendants' employees were asked about their
14 school's endowments during their depositions
15 in this case?

16 A. It is my understanding that they
17 were. But it's not something I was involved
18 in or read.

19 Q. And your report is about
20 endowments; right?

21 MR. NORMAND: Objection to form.

22 BY MR. RYBNICEK:

23 Q. You can answer.

24 A. Could you be more specific?

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1 Q. Earlier we talked about the
2 challenged conduct in Paragraph 4 of your
3 opening report.

4 Do you recall that?

5 A. Could you repeat the question?

6 Q. I believe earlier we talked
7 about the challenged conduct described in
8 Paragraph 4 of your opening report.

9 Do you recall that?

10 A. I recall reading this, yes.

11 Q. And when we discuss the
12 challenged conduct during the course of the
13 deposition today, do you understand that I
14 mean the challenged conduct as it's defined
15 in Paragraph 4?

16 A. Yes.

17 Q. Okay. And the challenged
18 conduct involves six components. Is that
19 accurate?

20 A. Yes.

21 Q. And do any of these six
22 components mention endowment?

23 A. They do not mention the word
24 endowment.

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1 endowment growth among all defendants was 122
2 percent between 1991 and 2003.

3 Real endowments also grew at all
4 defendants and for ten of the defendants real
5 endowment levels more than doubled from 1992
6 to 2003.

7 Cal Tech's 42 percent growth
8 rate was the smallest and Duke's 279 percent
9 was the largest.

10 Q. And this table doesn't include
11 any econometric analysis. Is that fair?

12 A. Econometric analysis in the
13 sense of regressions, no.

14 Q. It says summary of data. Is
15 that right?

16 A. I have compiled data for the
17 endowment levels and I've adjusted them for
18 inflation and specifically the common fund to
19 higher education price index.

20 Q. And so -- strike that.

21 Can you turn the page and look
22 at Table 2. And this shows how defendants'
23 endowments grew between 2003 and 2020;
24 correct?

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1 record. 1:32.

2 - - -

3 (Whereupon, there was a recess.)

4 - - -

5 THE VIDEOGRAPHER: Back on the
6 record. 1:35.

7 BY MR. RYBNICEK:

8 Q. I believe you just said that you
9 conducted a regression analysis in your
10 report; is that right?

11 A. Sorry. I couldn't hear what you
12 were saying.

13 Q. Sorry. I believe you just said
14 that you conducted a regression analysis in
15 your opening report; is that right?

16 A. I did.

17 Q. And your regression --
18 regressions look at three different dependent
19 variables; is that right?

20 A. Yes.

21 Q. What are the three dependent
22 variables?

23 A. The three dependent variables
24 are institutional grant aid per grant aid

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1 recipient, net price per institutional grant

2 aid recipient and effective institutional

3 price per institutional grant aid recipient.

4 Q. And what is effective
5 institutional price?

6 A. The effective institutional
7 price is the list price after subtracting any
8 institutional grant aid.

9 Q. And how does it differ from net
10 price?

11 MR. NORMAND: Objection to form.

12 THE WITNESS: Net price is list
13 price after subtracting institutional grant
14 aid and federal grant aid.

15 BY MR. RYBNICEK:

16 Q. And you looked at effective
17 institutional price, but not net price; is
18 that right?

19 A. Could you please restate your
20 question?

21 Q. You analyzed effective
22 institutional price but not net price. Is
23 that right?

24 A. So, if you look at Table 8 of my

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1 report, you will see that I evaluated net
2 price and effective institutional price. So,
3 the answer is no, that's not correct.

4 Q. Thank you. And you looked at
5 the three outcome variables we discussed both
6 during the period of the challenged conduct
7 and during a period prior to the challenged
8 conduct; is that right?

9 A. That's correct.

10 Q. And what were you attempting to
11 test with this analysis?

12 A. This analysis tests whether
13 these excess returns, which feed into
14 endowment levels and spending, had net impact
15 on grant aid, net price and effective
16 institutional price, both during the period
17 of the challenged conduct and prior to the
18 challenged conduct.

19 Q. In Paragraph 32 of your opening
20 report, you write, in a competitive
21 environment, institutions with high
22 investment returns could use their enhanced
23 wealth to reduce their list price or offer
24 more generous institutional aid to attract

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1 BY MR. RYBNICEK:

2 Q. Well, I thought you just
3 testified that your analysis estimates
4 whether or not aid and prices respond to
5 excess returns before the challenged conduct
6 and during the challenged conduct.

7 That's what you said; correct?

8 A. That's correct.

9 Q. And so -- and I'm asking your
10 analysis, therefore, is not examining the
11 relationship between endowment levels and
12 financial aid generosity; correct?

13 A. So, my regression analysis does
14 not use endowment levels as the explanatory
15 variable. However, excess returns feed into
16 endowment levels. They provide exogenous
17 variation in endowment levels which, in turn,
18 affect aid and net price.

19 Q. So your analysis concerns the
20 relationship between endowment returns and
21 financial aid; right?

22 MR. NORMAND: Objection to form.

23 THE WITNESS: Could you please
24 rephrase the question?

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1 BY MR. RYBNICEK:

2 Q. Your analysis concerns the
3 relationship between endowment returns and
4 financial aid; correct?

5 A. My analysis examines the
6 relationship between cumulative lagged excess
7 returns and financial aid and net prices,
8 where cumulative lagged excess returns feed
9 into endowment levels.

10 Q. What do you mean they feed into
11 endowment levels?

12 A. Endowments spending is based on
13 the formulas we discussed previously, on
14 lagged prior years endowment levels. Lagged
15 prior year endowment levels are a function of
16 excess returns.

17 Q. So, it's your testimony that you
18 are examining the relationship between
19 endowment levels and aid generosity?

20 MR. NORMAND: Objection to form.

21 Asked and answered.

22 THE WITNESS: My analysis
23 examines the impact of lagged excess returns,
24 cumulative lagged excess returns on aid and

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1 Q. A decline in market performance
2 doesn't result in a reduction in the expected
3 financial aid, under your analysis?

4 A. Cumulative excess returns feed
5 into endowment levels. An average of those
6 lagged endowment values is used to determine
7 the spending amount at an institution.

8 The question that you're posing
9 makes it seem like if there was a
10 contemporaneous reduction in the stock market
11 that this would be immediately reflected in
12 financial aid offers. That is not how these
13 funding formulas work.

14 Q. What do you mean by immediately?

15 A. That a downturn in the stock
16 market would immediately reduce how much
17 spending happens from the endowment.

18 Q. What time frame are you
19 referring to when you say immediately?

20 A. During the current year.

21 Q. My point is not about the
22 current year. My example is about a student
23 in his or her first year of college not
24 receiving the aid, the same level of aid

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1 to come to the same conclusions.

2 Q. Is it correct that your expert
3 report doesn't test the correlation between
4 endowments and financial aid?

5 A. Endowments in levels? I believe
6 you've asked this question. That's correct.
7 That's an endogenous relationship.

8 Q. And it's your position that your
9 2022 working paper also does not seek to test
10 the effect of -- or seek to test endowments
11 effect on financial aid?

12 A. It does, using an instrumental
13 variable strategy in which exogenous
14 variation from investment returns is used.

15 Q. And so in your 2022 paper, you
16 do test the effect of endowments on financial
17 aid using an instrumental variable strategy.
18 Is that correct?

19 A. Correct.

20 Q. And in your expert report you
21 chose not to test the effect of endowments on
22 financial aid; correct?

23 A. I am not implementing an
24 instrumental variable strategy. I'm

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1 presenting a reduced form strategy where I
2 look directly at the impact of the returns on
3 aid and that is what I present.

4 Q. I understand.

5 I'm trying to get your answer to
6 a different question, which is you didn't
7 test the effect of endowments on financial
8 aid in your expert report; correct?

9 MR. NORMAND: Objection to form.

10 Asked and answered.

11 THE WITNESS: I do not test the
12 direct effect of endowments which would have
13 endogenous components on financial aid
14 directly.

15 BY MR. RYBNICEK:

16 Q. But you could have solved for
17 the endogeneity; correct?

18 A. You're asking if I could have
19 implemented an IV strategy identical to this
20 paper here.

21 Q. Could you have?

22 A. Yes.

23 Q. And why did you choose not to?

24 A. Because this is more direct and

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1 does not involve me explaining instrumental
2 variable strategy to non economists.

3 Q. Could you have achieved the same
4 goal of solving the endogeneity problem by
5 regressing excess returns on endowments?

6 A. Potentially.

7 Q. And you didn't do that, though;
8 correct?

9 A. I did not.

10 Q. And why not?

11 A. Because I wanted to present the
12 reduced form, the direct effect of the
13 investment returns on the outcomes of
14 interest.

15 Q. And the result of that is that
16 your analysis tests excess returns effect on
17 financial aid and not endowments effect on
18 financial aid?

19 I can restate that question for
20 you, Dr. Bulman.

21 A. That would be good.

22 Q. So the result is that your
23 analysis tests excess returns effect on
24 financial aid and not endowments effect on

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1 Did you implement the analysis
2 in your expert report using your 2022 working
3 paper methodology?

4 A. No.

5 Q. And are you familiar with
6 Appendix I2 of Dr. Hill's report, which I
7 believe is Exhibit 4 in front of you?

8 A. What page am I going to?

9 MR. NORMAND: 12.

10 Is that what you said?

11 BY MR. RYBNICEK:

12 Q. I2, yes. I'm trying to be
13 helpful and find a page number.

14 But it's around 211. In

15 Appendix I2, Dr. Hill implements the
16 methodology in your 2022 working paper.

17 Do you see that?

18 A. Yes.

19 Q. And you didn't respond to

20 Dr. Hill's analysis in this section; correct?

21 A. In my rebuttal?

22 Q. Correct.

23 A. No.

24 Q. Do you disagree with Dr. Hill's